

# Prosperity and Panic

## One American's Story

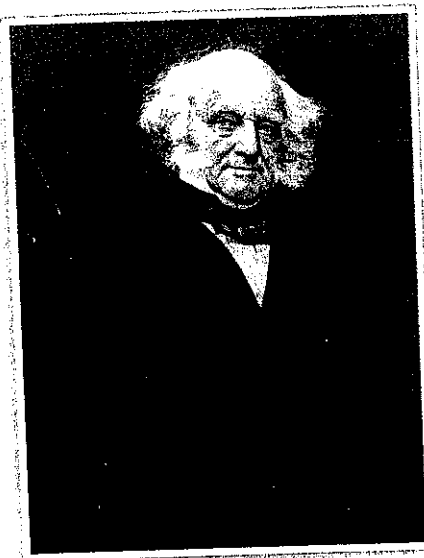
Most of the nation prospered during Jackson's last years in office. However, shortly after his second term ended, the economy took a turn for the worse. Many people wanted the government to step in and help. Jackson's vice-president, **Martin Van Buren**, who succeeded Jackson as president, disagreed.

### PRIMARY SOURCE

All communities are apt to look to the Government for too much. . . . especially at periods of sudden embarrassment and distress. But this ought not to be. . . . [The framers of the Constitution] wisely judged that the less Government interferes with private pursuits, the better for the general prosperity. ”

—Martin Van Buren, from a letter to Congress dated September 4, 1837

Jackson and the Democrats opposed many forms of federal power.



Martin Van Buren served as president from 1837 to 1840. He ran unsuccessfully for reelection in 1840 and again in 1848.

## Jackson Targets the National Bank

**KEY QUESTION** How did Jackson destroy the national bank?

The Second Bank of the United States was the most powerful bank in the country. Jackson declared war on the bank.

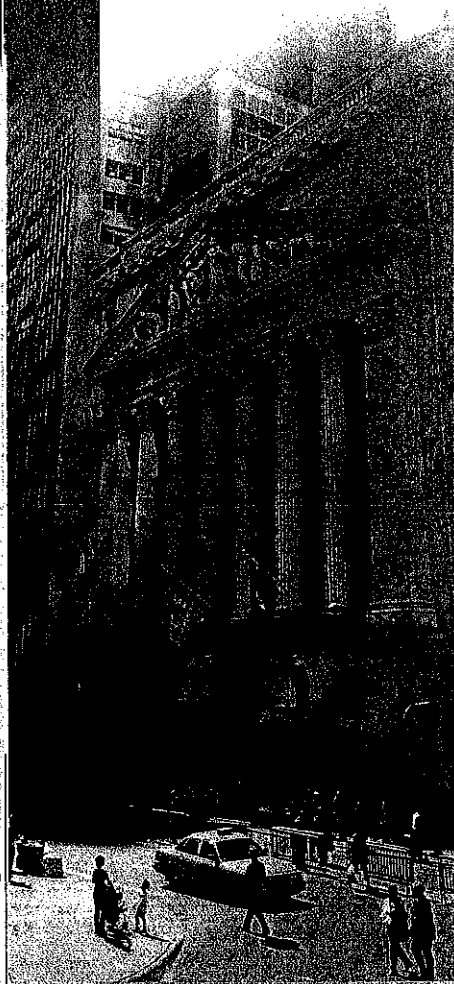
**Mr. Biddle's Bank** The bank's president, Nicholas Biddle, set policies that controlled the nation's money supply. Since the bank made loans to members of Congress, Biddle could influence these lawmakers. Jackson believed that the bank was corrupt and had too much power.

To operate, the bank needed a **charter**, or a written grant, from the federal government. In 1832, Biddle asked Congress to renew the bank's charter, even though it would not expire until 1836. He thought Jackson would agree to the renewal rather than risk angering his supporters. But Jackson took the risk.

## CONNECT Economics and History

### THE BUSINESS CYCLE

The pattern of ups and downs in the economy is called the business cycle.



**Peak** Consumer spending, employment, and business production are at a high.

**Expansion** Businesses increase production and hire more workers. Consumers spend more.

**Recession** Consumers spend less. Businesses lay off workers and cut spending. Profits decline. A severe and extended recession is called a depression.

**Low Point** Consumer spending, employment, and business production are at a low.

### CRITICAL THINKING

**Draw Conclusions** In what ways can the amount people spend affect businesses?

**Jackson's War on the Bank** When Congress voted to renew the charter, Jackson vetoed the renewal. Although the Supreme Court had ruled that the bank was constitutional, Jackson argued that it was not. He said it was a monopoly that favored the few at the expense of the many.

The bank became the main issue in the presidential campaign of 1832. The National Republican candidate, Henry Clay, called Jackson a tyrant. The Democrats portrayed Jackson as a defender of the people. When he won reelection, Jackson took it as a sign of approval for his war on the bank.

Jackson set out to destroy the bank before its charter ended. He had government funds deposited in state banks. Biddle fought back by making it harder for people to borrow money. He hoped the resulting economic troubles would force Jackson to return government deposits to his bank. Instead, the people supported Jackson. Eventually the bank went out of business. Jackson had won the war, but the economy would suffer for it.

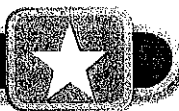
**Prosperity to Panic** Because Jackson's state banks made it easier to borrow money, many people took out loans. The economy boomed. But the banks issued too much paper money, and the rise in the money supply made each dollar worth less. **Inflation**, or an increase in prices and a decrease in the value of money, was the outcome. To fight inflation, Jackson issued an order that required people to pay in gold or silver for public lands.

Jackson left office proud of the nation's prosperity. But it was puffed-up prosperity. Like a balloon, it had little substance. Jackson's popularity helped Van Buren win the presidency in 1836. A few months after Van Buren took office, a panic, or widespread fear about the state of the economy, spread throughout the country. It became known as the **Panic of 1837**.

People began exchanging paper money for gold and silver. Banks quickly ran out of gold and silver. A **depression**, or severe economic slump, followed. Almost all factories in the East closed. Jobless workers had no way to buy food or pay rent. People went hungry and became homeless.

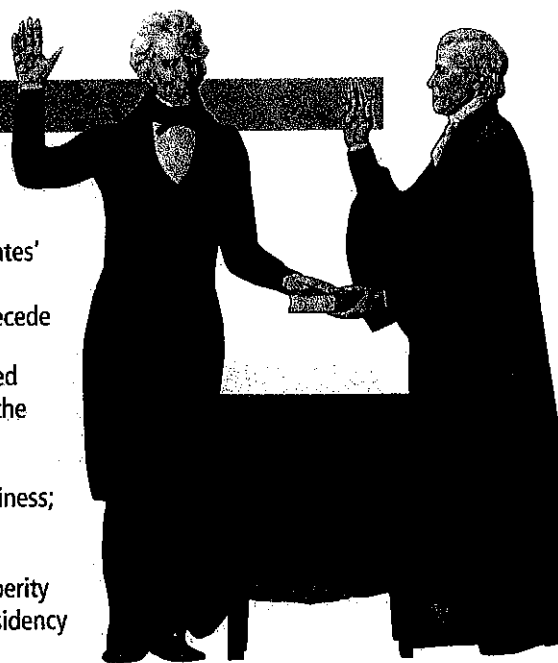
▲ **SUMMARIZE** Explain how Jackson destroyed the national bank.

## CONNECT to the Essential Question



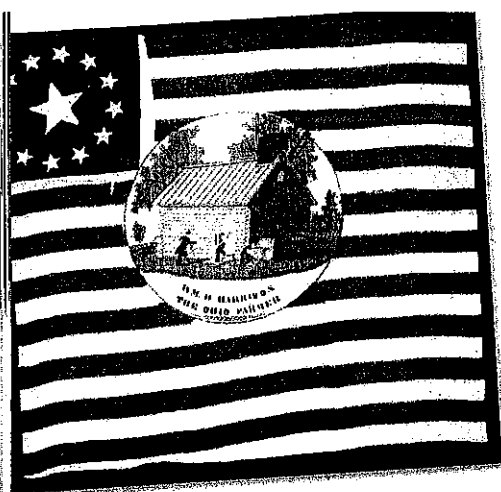
What impact did Andrew Jackson's presidency have on the nation?

EVENT	IMPACT
Election of 1828	Voting rights expand; Jackson's win hailed as victory for the common people
Tariff of Abominations	Sectional tensions grow over tariffs and states' rights; Jackson opposes nullification; South Carolina nullifies tariffs and threatens to secede
Indian Removal Act of 1830	Thousands of Native Americans are removed from their homeland; Cherokees suffer on the Trail of Tears
Bank War	Jackson drives the Second Bank out of business; inflation rises
Election of 1836	Jackson's popularity and the nation's prosperity help Vice-President Van Buren win the presidency



## CRITICAL THINKING

- Form and Support Opinions** What do you think was the most important issue in Jackson's presidency? Why?
- Evaluate** In what ways did Jackson continue to affect politics after his presidency had ended?



This 1840 campaign banner shows a log cabin as a symbol of the frontier. The banner describes Harrison as "The Ohio Farmer" to set him apart from his wealthy opponent, Van Buren.

## The Birth of the Whigs

**KEY QUESTION** In what ways did the Whig Party differ from the Democrats?

Van Buren faced a new political party in his campaign for reelection in 1840. The **Whig Party** had been formed by Henry Clay, Daniel Webster, and other Jackson opponents. It was named after a British party that opposed royal power. The Whigs opposed the concentration of power in the chief executive—whom they mockingly called "King Andrew" Jackson.

**Political Beliefs** The Whigs believed that Congress, not the president, represented the will of the people. They also blamed Van Buren—who objected to government "interference"—for not doing more to help the economy during the panic. In 1840 the Whigs chose **William Henry Harrison** of Ohio as a candidate for president and **John Tyler** as his running mate.

**The Election of 1840** The Whigs nominated Harrison, the hero of Tippecanoe and the War of 1812, because of his military record and his lack of strong political views. During the campaign, the Whigs emphasized personalities rather than political issues. They portrayed Harrison as a frontiersman against the wealthy Van Buren. Harrison won the election but he died shortly after his inauguration, and John Tyler became president. The election of 1840 showed the importance of the West in American politics.

**COMPARE AND CONTRAST** Describe how the Whigs differed from the Democrats.



### Section Assessment



#### ONLINE QUIZ

For test practice, go to  
Interactive Review @ ClassZone.com

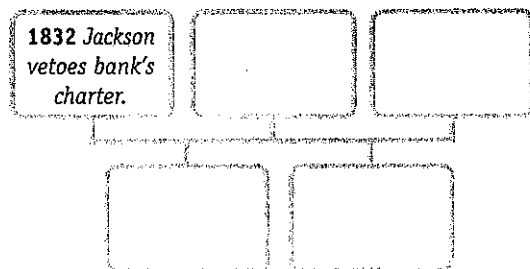
#### TERMS & NAMES

1. Explain the significance of

- Martin Van Buren
- Whig Party
- Panic of 1837
- William Henry Harrison
- depression
- John Tyler

#### USING YOUR READING NOTES

2. **Sequence Events** Complete the diagram to show the major events of this section.



#### KEY IDEAS

3. Why was Jackson against the Second Bank of the United States?
4. What was Nicholas Biddle's role in the bank war?

#### CRITICAL THINKING

5. **Causes and Effects** What role did Jackson's popularity play in the elections of 1836 and 1840?
6. **Connect @ Today** The percentage of eligible voters who participate in elections today is much lower than it was during Jackson's time. In what ways do you think this influences elections today?
7. **Art Campaign Poster** Create a campaign poster representing either the Whig Party or the Democrats in the election of 1840.